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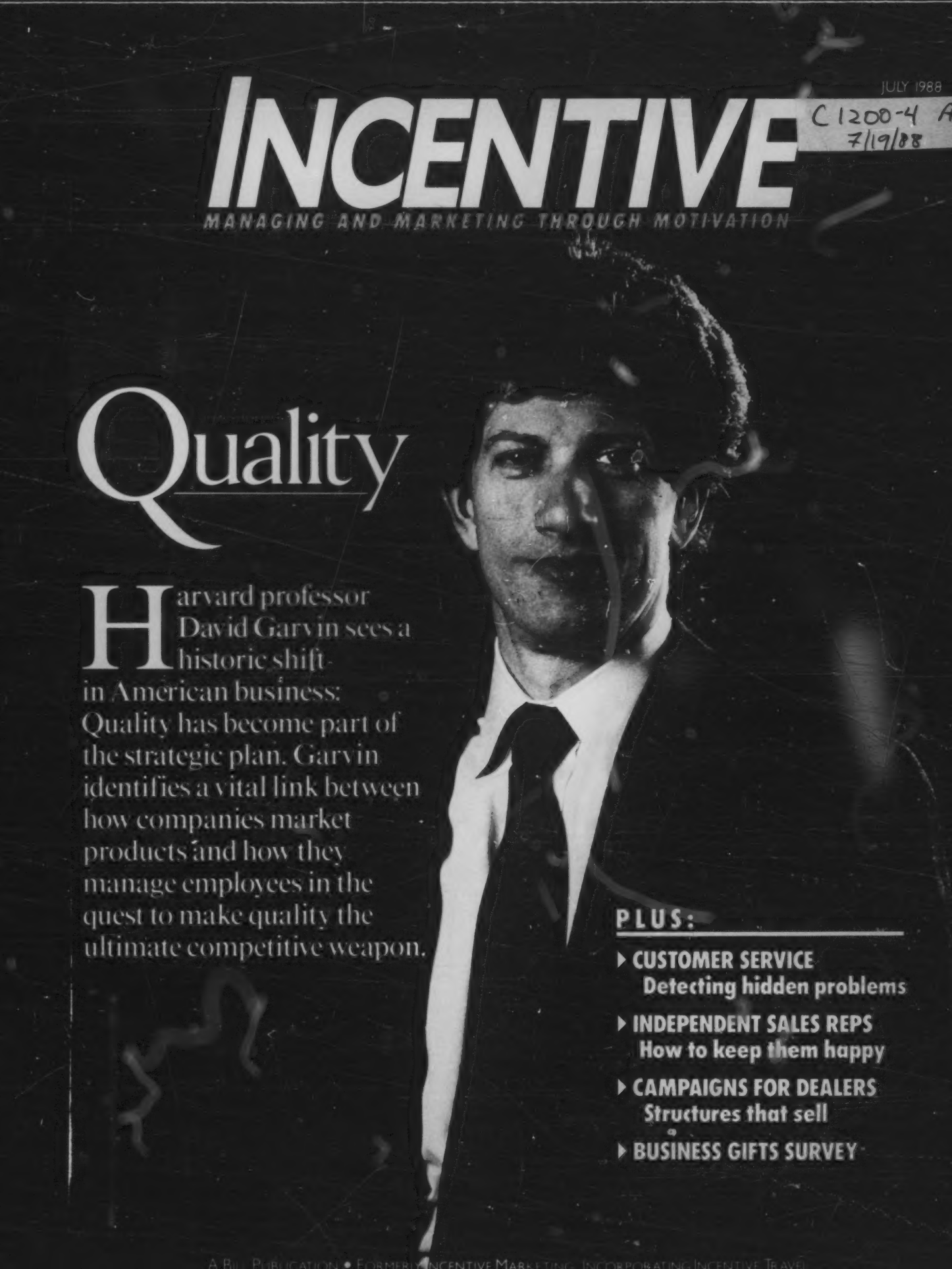
INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION



Quality

Harvard professor David Garvin sees a historic shift in American business: Quality has become part of the strategic plan. Garvin identifies a vital link between how companies market products and how they manage employees in the quest to make quality the ultimate competitive weapon.

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- **CUSTOMER SERVICE**
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- **BUSINESS GIFTS SURVEY**

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INCENTIVE

MANAGING AND MARKETING THROUGH MOTIVATION

JULY 1988 — 84th YEAR, VOL. 162, NO. 7

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INCENTIVE covers the methods used by organizations to motivate customers at all levels to buy and employees to work more effectively.

Cover Photo: Fred Slavin

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FACTS SURVEY

Business Gifts

Budgets grow only slightly, as the average gift cost rises to $75 and the average number drops to 480 units. Reasons for gift giving grow more varied.

A touch of parsimony marks the midyear plans of many business Santas, whose budget estimates for business gifts now show a mere 2.6-percent increase over what they spent last year.

More than seven out of 10 surveyed executives report that they are standing pat on the unit cost of gifts, the most crucial factor in determining the total bill. Twenty-four percent say they will spend more, and 4 percent plan to cut back. These reports are based on information supplied by 407 readers.

A year ago, a similar group predicted a 3.2-percent increase—but the year-end total estimate came in at 6.7 percent over the 1986 figure. If history repeats itself, the ritual potlatch will increase a substantial notch. The telltale unit gift cost is up to $75 on average, compared with last year's $56—although the median price remains at $20.

The typical, or median, business giver uses 100 gifts a year, the same as in several recent years. The average has dropped to 480 in the present study from 499 last year.

In 1987, **Incentive**'s estimate of total business gift expenditures reached $148 billion.

Personalizing gifts with the recipient's name or initials is a practice that continues to decline; only 26 percent do so. However, 68 percent have company imprints on their gifts.

Christmas is the preferred occasion for 71 percent of respondents in the latest survey. But a range of "other," non-holiday occasions is indicated by 42 percent. Company anniversaries are gift time for 9 percent, while 10 percent favor birthdays. About 5 percent give at Thanksgiving, and 4 percent at New Year's.

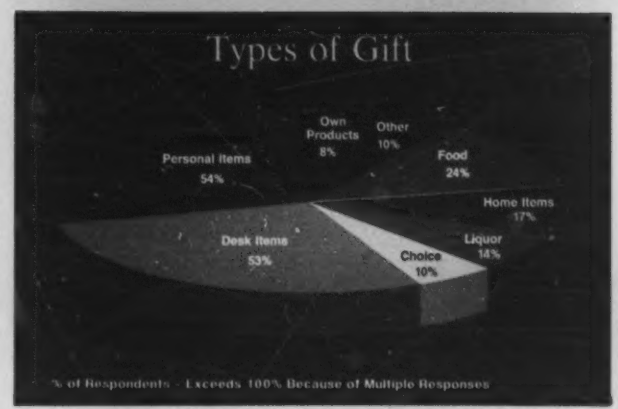
As these executives find more and more "other" times to give gifts, they also express more varied reasons for doing so. Not as clear-cut as the objectives cited for other types of incentive usage, they represent thanks, good will, friendship and general good feelings directed toward defined benefits.

A Midwest banker who uses gifts in conjunction with seminars and on customer calls all year says they are "good icebreakers. They leave a presence if they're quality items. They should never be significant enough to influence decisions—but quality enough to enhance a firm handshake and a warm smile."

Image is often a goal, as with Stan Botvinick of Eis Associates, a Los Angeles insurance firm: "The benefit is to let our accounts, as well as prospects, know that we perform like the giants within our industry. Being smaller, the benefit is referrals, too."

For David Thomas, vice president of sales for the Carmel, Ind.-based metal stamper Kaufman Products Inc., the goal is distinction: "Business gifts are not a common practice in our industry, and their use tends to set us apart from our competitors."

The most popular way to get a gift from donor to recipient is through a salesperson. The gifts "give reps a reason for calling on the customer," notes a freight



Most survey respondents give to major customers; personal and desk items are preferred.

Personalizing gifts with the recipient's name or initials is a practice that continues to decline; only 26 percent do so. However, 68 percent have company imprints on their gifts.

executive in Colorado.

A sampling idea is employed by Mark S. Kaufman, president of 3 Strikes Custom Design, New York. His gifts, he says, "are a gentle reminder of the creativity that my company can offer in developing unique items to meet specific objectives. Each year, I try to design a graphic that relates to the holiday season, which I then incorporate into one of my own products." The designs go onto such items as blankets and beach towels.

A thank-you for leads is the gift occasion for R. C. Meyer, chief executive officer of Rainbow Nursery & Garden Center, Williamstown, N.Y. He presents a gift costing about $20 —often his own greenhouse product —"as a note of thanks for granting of contracts. In most cases, the recipient has given us leads for other interested consumers....Gifts are always pre-

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▶ Who does the buying?

Top management	66%
Sales/marketing management	27%
Advertising/promotion management	5%
Product/merchandising management	2%

▶ When are gifts bought?

January	12%
February	8%
March	10%
April	4%
May	7%
June	9%
July	10%
August	17%
September	33%
October	36%
November	26%
December	26%

▶ Sources of gifts

Direct from manufacturer	44%
Advertising specialty counselor	31%
Wholesaler or distributor	29%
Incentive representative	28%
Incentive firm, jobber, stamp company	16%
Mail-order firm	15%
Retail store	14%

▶ How are gifts delivered?

Salesperson	58%
Executive	35%
Parcel delivery service	30%
Mail	21%
Messenger	7%

▶ Where are gifts given?

Recipient's place of business	74%
Recipient's home	26%
Donor's place of business	18%

sented *after* a contract is in force."

Product samples go with Christmas gifts to customers of McCormick & Company, Baltimore. But other gifts serve another purpose, says manager of communications Carolyn Manning. Gifts are given "at convention dinners to spouses of customers. They look forward to unique gifts from a quality company as a remembrance of a memorable evening." Manning uses items like designer silk scarves or crystal animals.

A New York meeting planner gives gifts costing $14 to $35 to conference attendees. "Conference gifts are a permanent marketing tool to help promote future conferences," she says. "Also, gifts broadcast a class act."

Says one insurance executive: "Gifts are a booth attraction at major conventions." He uses pens, calculators and other items costing up to $40, in relatively limited quantities.

Sometimes the business gift serves to accentuate the positive in a relationship that might run into trouble. An office-equipment manufacturer in the Midwest cites a variety of reasons for his gifts: appreciation, remembrance of a factory visit, holiday greetings and "to help defuse a problem or personality conflict. In general, all gifts are to give the recipient a warm feeling when they use them and think about us."

Gene R. Clark, marketing manager for Airfan Engineering Products, Garden Grove, Calif., uses moderate-priced gifts to keep relationships smooth: "While we experience many trials and tribulations with our products, our customers and their customers, we feel we must show there are no permanent scars in the aftermath and we want to continue serving them to the best of our ability."

Not everyone who gives gifts is totally happy about it. "It's a necessary evil—maintaining our business position," complains a New York apparel executive who buys gifts costing $25 to $200 for 75 major customers.

"We do feel somewhat obligated in some instances because it is expected," says a Kentucky wholesaler. "I'd like to see more firms outlaw the

TOP CHOICES IN SURVEY

Pen/pencil	10%	Desk set	2%
Clock	6%	Fruit	2%
Calculator	3%	Golf item	2%
Coffee mug	3%	Knives	2%
Hat/cap	3%	Luggage	2%
Wine/champagne	3%	Meat	2%
Calendar	2%	Plant/flowers	2%
Cheese/sausage	2%	Trip/outing	2%
Desk folio/folder	2%	Watch	2%

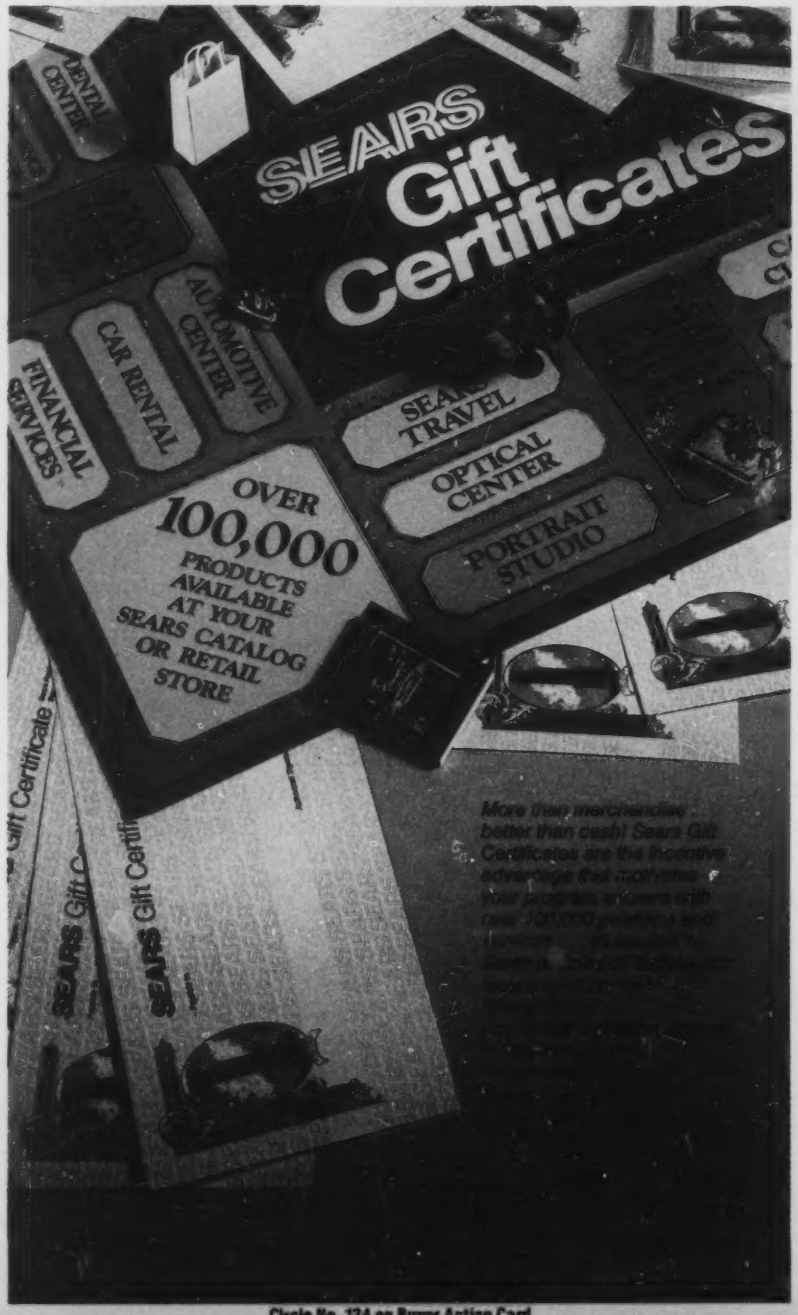

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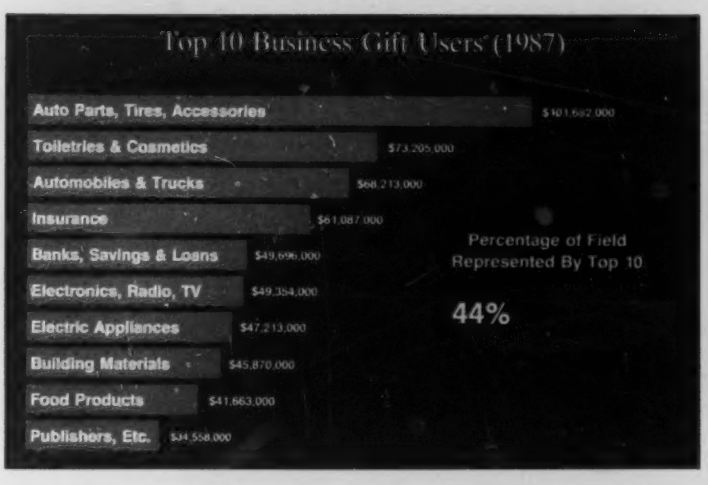
Image is often a goal: "The benefit is to let our accounts, as well as prospects, know that we perform like the giants within our industry."



practice of accepting gifts."

There are organizations that prohibit gifts—notably government agencies and very large corporations. The executives in this year's survey say they see such restrictions in an average of 29 percent of cases, slightly lower than in previous years. And only 38 percent believe the prohibitions are increasing.

Fear of improper influence on buying—real or imagined—is the root of such rules. But the incidence of such problems continues to be very minor in the experience of these survey respondents. Only 12 percent believe that gifts they received have ever been intended to influence them improperly. Fewer than 10 percent believe that *their* gifts have exerted undue influence on customers.

Many users confidently defend the practice and have a clear sense of propriety. "Friends like to do business with friends," says a Massachusetts abrasives manufacturer, "and gifts help solidify that relationship. Business gifts should be appropriate, carry the company name and should be of a value that does not suggest graft or payoff." His company offers imprinted items costing up to $32.

The $25 maximum allowed by the Internal Revenue Service for gift deduction is a rule of thumb used by many executives. Says an appliance-service executive in New Jersey: "We give gifts as small token of our appreciation for the customer favoring us with his work. Gifts are purposely limited to no more than $25 in value so as not to be construed as improper influence."

A New Jersey promotion agency executive says, "We believe business gifts are a way to say thanks to these people who have included us in their list of suppliers. We are a new company, and good will is important to us....We also believe that, by staying within a $25 range, we are not trying to improperly influence anyone. Realistically, lunch for two in New York costs more than $25." □